

SEPTEMBER 2010

INFORMATION

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All SBA programs and
services are provided on
a nondiscriminatory basis.

Key Elements of the Small Business Jobs Act of 2010

Dear Lender –

The Small Business Jobs Act, signed by President Obama on September 27th provides critical resources to help small businesses continue to drive economic recovery and create jobs. It extends the SBA Recovery loans while offering billions more in lending support and tax breaks for entrepreneurs and small business owners. Here are some of the key elements:

More Capital in the Hands of Entrepreneurs and Small Business Owners

- The law extends SBA Recovery loans (with the 90% guarantee and reduced fees) through December 31, 2010. The \$505 million for Recovery loans in this new law will support about \$14 billion in small business lending.
- The law permanently increases 7(a) and 504 limits from \$2 million to \$5 million (for manufacturers in 504 loan program, up to \$5.5 million). Microloan limits increase from \$35,000 to \$50,000.
- The number of businesses eligible for SBA loans expands by increasing the alternate size standard to include small businesses with less than \$15 million in net worth and \$5 million in average net income.
- Temporary Enhancements – The law helps lenders provide working capital to small businesses by increasing the maximum for SBA Express loans from \$350,000 to \$1 million (expires 9/27/2011). The law will allow some small businesses to refinance their owner-occupied commercial real estate mortgages into the 504 loan program (expires 9/27/2012).
- The Dealer Floor Plan Pilot is extended to 2013. After the \$5 million loan limit is implemented, it will be expanded to assist even more small businesses owners who sell cars, RVs, boats, other titleable inventory.
- The law provides \$16 million over the next three years by creating an

intermediary-facilitated microloan program targeting small businesses needing microloans up to \$200,000.

Strengthens Small Businesses' Ability to Compete for Contracts

- The law reaffirms “parity” among federal small business contracting programs by allowing contracting officers to choose among businesses owned by service-disabled veterans, those participating in HUBZone and 8(a) programs, and soon the women’s contracting program when setting aside contracts for small business.
- The law gives agency procurement officers greater ability to provide both large prime contracts and microcontracts to small businesses. It makes it harder for agencies to “bundle” contracts, a practice that often takes opportunities away from small business. Stronger subcontracting plan enforcement requirements for large prime contractors ensure small businesses are utilized in subcontracting. Late payments to small subcontractors are discouraged.
- A new \$10 million pilot program provides teaming opportunities for small businesses competing for larger and more complex federal government contracts.

Promotes Small Business Exporting, Building on the President's National Export Initiative

- The Export Express pilot loan program becomes permanent with 90% guarantees for loans up to \$350,000 and 75% for loans between \$350,000 and \$500,000.
- A new State Trade and Export Promotion grants pilot provides \$60 million in competitive grants to states over next three years to help small business owners with exporting.
- Increased staff and strengthened export counseling resources are provided.

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Folsom Jobs Act Updated (continued)**Expands Training and Counseling:**

- The law provides \$50 million in grants available to Small Business Development Centers for training and counseling, including export assistance.

Law Provides \$12 Billion in Tax Relief to Help Small Businesses Invest in their Firms, Create Jobs

- The highest small business expensing limit ever, of \$500,000
- Carry-back provisions on net operating losses of up to 5 years
- Accelerated/bonus depreciation
- Zero capital gains taxes for those who invest in small businesses

- Increased deductions for start-ups
- Deductions for employer-provided cell phones
- Deductions for health insurance costs for the self-employed
- Limitations on penalties for errors in tax reporting that disproportionately affect small business

Beyond SBA:

- Small Business Lending Fund – \$30 billion (administered by Treasury) - The law will provide smaller community banks with low cost capital (as low as 1%) if they go above and beyond 2009 small business lending.

- Establishes State Small Business Credit Initiative (administered by Treasury) -The law will provide up to \$1.5 billion to States to support state run small business lending programs.

Updates with current information on the implementation of the Small Business Jobs Act are posted at <http://www.sba.gov/jobsact/>

Also, several notices are being issued related to the Jobs Act. The first is attached to this newsletter, with additional ones to follow.

- Joseph M. Folsom, District Director

SBA Lender Activity Report for AUGUST

LENDER NAME	LOCATION	#	AMOUNT
CEDAR RAPIDS BANK & TR CO	CEDAR RAPIDS	4	\$4,022,400
NORTHWEST BANK	SPENCER	3	\$1,044,400
HILLS BANK AND TRUST CO.	HILLS	3	\$174,000
MANUFACTURERS BK & TR CO	FOREST CITY	3	\$105,000
US BANK	IOWA	3	\$90,000
MIDWESTONE BANK	IOWA CITY	2	\$1,305,000
CORRIDOR STATE BANK	CORALVILLE	2	\$1,159,500
LIBERTY BANK	WEST DES MOINES	2	\$220,000
COMMUNITY BANK	INDIANOLA	2	\$215,000
WELLS FARGO BANK	IOWA	2	\$114,000
BRIDGE COMMUNITY BANK	MOUNT VERNON	2	\$85,900
SUPERIOR FINANCIAL GROUP	CALIFORNIA	2	\$25,000
HOME STATE BANK	JEFFERSON	1	\$1,860,400
VALLEY BANK	ILLINOIS	1	\$1,250,000
KERNDT BROS SVGS BANK	LANSING	1	\$745,000
IOWA BUSINESS GROWTH CO	JOHNSTON	1	\$712,000
BLACK HAWK ECON DEV	WATERLOO	1	\$504,000
CITY STATE BANK	NORWALK	1	\$488,000
THE CLINTON NATIONAL BANK	CLINTON	1	\$482,400
FREEDOM FINANCIAL BANK	WEST DES MOINES	1	\$380,000

LENDER NAME	LOCATION	#	AMOUNT
NORTHWOODS STATE BANK	MASON CITY	1	\$350,000
FINANCIAL PLUS CU	WEST DES MOINES	1	\$200,000
FIRST AMERICAN BANK	FORT DODGE	1	\$191,300
FIRST CENTRAL STATE BANK	DE WITT	1	\$166,000
NORTHWEST BANK & TRUST CO	DAVENPORT	1	\$155,000
STATE BANK & TRUST CO.	NEVADA	1	\$138,000
COMMUNITY CHOICE CU	JOHNSTON	1	\$110,000
ACE COMMUNITY CU	AMES	1	\$104,000
GREAT SOUTHERN BANK	MISSOURI	1	\$100,000
FIRST NATL BK - MUSCATINE	MUSCATINE	1	\$97,500
FARMERS STATE BANK	MARION	1	\$90,000
PENDER STATE BANK	NEBRASKA	1	\$66,000
CHEROKEE STATE BANK	CHEROKEE	1	\$35,000
CITIZENS STATE BANK	MONTICELLO	1	\$35,000
COMMUNITY NATIONAL BANK	WATERLOO	1	\$35,000
FIDELITY BANK & TRUST	DUBUQUE	1	\$35,000
QUAD CITY BK & TR CO	BETTENDORF	1	\$35,000
HEARTLAND BANK	SOMERS	1	\$31,100
COMMUNITY 1ST CU	OTTUMWA	1	\$20,000

The following lenders were participant lenders in the SBA's 504 Loan Program in Iowa during the month of AUGUST

LENDER NAME	LOCATION	#	AMOUNT
PEOPLE'S CAPITAL & LEASING	CONNECTICUT	1	\$870,000

LENDER NAME	LOCATION	#	AMOUNT
WELLS FARGO BANK	IOWA	1	\$638,150



SBA Procedural Notice

TO: All Employees

CONTROL NO.: 5000-1173

SUBJECT: Small Business Jobs Act:
Extension of Authority for 7(a) and
504 Recovery Loans

EFFECTIVE: 0/29/2010

On September 27, 2010, President Obama signed the Small Business Jobs Act of 2010 (the “Small Business Jobs Act”). This legislation provides an additional \$505 million to the Small Business Administration to support as much as \$14 billion in lending to small businesses. These funds are available to provide fee relief for new 7(a) and 504 loans under Sections 501 and 502 of the American Recovery and Reinvestment Act of 2009 (the “Recovery Act”). In addition, this legislation extends the authority for SBA to provide a higher guaranty on eligible 7(a) loans to December 31, 2010.

Funding of Loans in Queues

504 Loans

As soon as funds become available, SBA will begin funding applications that remain in the 504 Recovery Loan Queue. SBA expects that funds will become available on or after October 1, 2010. Borrowers and lenders are advised that while these loans will be eligible for processing fee relief, they also will be subject to a higher annual fee of 0.749% as announced in SBA Information Notice 5000-1172, issued September 28, 2010. This may be a consideration in whether or not to leave a loan in the Recovery Loan Queue.

7(a) Loans

For 7(a) loan applications (other than SBA Express loans) that are in the 7(a) Recovery Loan Queue, SBA will approve these loans with a 90 percent guaranty in addition to fee relief as soon as funds become available (expected on or after October 1, 2010). This will relieve lenders of the need to withdraw loans from the Queue and resubmit them in order to receive the higher guaranty. SBA believes that most, if not all, lenders will prefer the higher guaranty that is now available under the Small Business Jobs Act. (SBA Express loans are not eligible to receive the higher guaranty and will only receive fee relief.)

If a lender does not want the higher guaranty percentage and the additional annual fees it will require, the lender may use E-Tran to reduce the guaranty as a unilateral servicing action if it is a delegated lender. Non-delegated lenders that do not use E-Tran should contact the Standard 7(a) Loan Guaranty Processing Center to reduce the guaranty percentage. Lenders will be able to reduce the guaranty on the loan at any time, but for reductions requested after the SBA loan number is received SBA will only make adjustments to annual service fee billings for loans where the lender reduces the guaranty percentage through E-Tran or the Standard 7(a) Loan Guaranty Processing Center within 90 days of the date of this notice.

There is an additional closing requirement for 7(a) loans that receive the higher guaranty that must be met, which was also required by statute for Recovery Act loans receiving the higher guaranty. Prior to first disbursement on a 7(a) loan with the increased guaranty, lenders must require that the Borrower and any Operating Company certify that they have not been determined by the Secretary of Homeland Security or the Attorney General to have engaged in a pattern or practice of hiring an alien, recruiting an alien or referring an

alien for a fee for employment in the United States, knowing that the person is an unauthorized alien. This certification is in addition to the existing disclosure requirement on SBA Form 912, Statement of Personal History. (See the notice published in the Federal Register on June 8, 2009 at 74 FR 27199, 27200.)

The 7(a) Loan Authorization Boilerplate incorporates this certification for Standard 7(a), Certified Lender Program, Preferred Lender Program and Small/Rural Lender Advantage loans. For any Pilot Loan Program loans, the lender will be responsible for adding this requirement to the loan authorization.

Appendix D of the [7\(a\) boilerplate authorization](#) provides a sample Borrower's Certification containing the required language.

Restricted Uses

Section 1604 of the Recovery Act states that none of the funds appropriated or otherwise made available in the Recovery Act may be used by any State or local government, or any private entity, for any casino or other gambling establishment, aquarium, zoo, golf course, or swimming pool. SBA Policy Notice 5000-1105 (effective date 5-22-2009) provided guidance on this restriction on the use of funds for SBA's Recovery Act loans. This restriction will not apply to 7(a) and 504 loans with reduced or eliminated fees or to 7(a) loans with the higher guaranty percentage that are approved under the Small Business Jobs Act.

7(a) Recovery Loans that were approved by SBA prior to September 27, 2010

Recovery loans that have been approved by SBA (as evidenced by receipt of an SBA loan number) with the lower guaranty percentage cannot be cancelled and resubmitted for the higher guaranty. In addition, lenders may not request an increase to the guaranty percentage on their Recovery loans as a servicing action.

Non-Recovery loans approved prior to September 27, 2010 also cannot be cancelled and re-submitted as a Recovery loan.

For questions regarding the Small Business Jobs Act contact the SBA in Des Moines at (515) 284-4422 or in Cedar Rapids at (319) 362-6405.